C2950-3
01/27/89

MARKETING & MEDIA
DECISIONS

UPFRONT '89

IBM's
BRAND STAND

POWER PLAYS

As print's new rules put agency print teams to the test, Y&R's

MARKETING & MEDIA DECISIONS

COVER STORY

PRINT POWER 36

Young & Rubicam is the latest agency to restructure its print planning and buying operation to hopefully better meet new print opportunities. But are such changes warranted? Media experts on the client and agency sides have strong, and divided, answers to that question.

FEATURES

UPFRONT '89 31

As alternative dayparts feel the heat of demand, daytime is beginning to look like a real bargain. That's one conclusion from this year's guide to the network television upfront market. This daypart-by-daypart breakdown also gives estimates of where rates are headed.

PUTTING A SHINE ON AUDI 47

New models, a new campaign, a new team and new designations for Audi's wrecked 5000 line all play roles in what Audi hopes will be a turnaround in its skidding fortunes.

BRAND REPORT 161: DOMESTIC WINES 97

First growth in this category is with the upscale varietals as jug sales go flat. The market's key to future harvests: some 100 million non-wine-drinking American adults.

ANNUAL REPORT

THE NEW WORLD OF B-to-B 55

As b-to-b grows in importance in a marketing-intensive business world, the discipline is examined to see how it's meeting the new priorities.

THE HOUSE THAT B-to-B BUILT 56

Agencies and their media people are evolving to meet new needs by laying on new skills and a broader view. Also, two top-category close-ups give a glimpse of what's ahead.

BUSINESS-TO-BUSINESS 66

Our new monthly column on the field debuts. This month's topic: new tools to train tomorrow's b-to-b leaders.

IBM'S BRAND STAND 71

Recognizing the revolution in the business of selling, Big Blue has launched a branding division with the assignment of creating strong names and images for its line.

DEPARTMENTS

PRO FILES 10

Fehskens talks synergy as head of Ventura, Horizon Media's new owners see the light, and Wager puts Lexus in park and jumps to Porsche.

DIRECT MARKETING 13

Tax battlers have a friend on the Hill, and the DMA unveils 1988's top direct-marketing agencies.

PRINT BEAT 17

The BPA's top ten trades . . . The *Orange County Register* is number one in ad lineage . . . *YM* targets an older demo . . . Zenith makes co-op history.

DEBUT 20

Abram Inc. hopes to laugh all the way to the bank with its new in-club magazine, *Laughtrack*.

CREATIVE CONCEPTS 24

Whether they're centered on apples or Islam, recent crises in an increasingly sensitized marketplace have put media departments on the alert.

FREEZE FRAME 27

As cable grows, so grows its upfront. This year, more than one quarter of total ad commitments are expected to be made in advance.

Cover photograph by Judy Gurovitz

May 1989, Vol. 24, No. 5

SALES PROMOTION 112

On the eve of the big premium show in New York, an overview of the tactic is offered, plus examples of appropriate product/premium matches.

BROADCAST BEAT 115

Leo Burnett kicks off the upfront syndication marketplace . . . Radio listenership increases . . . Hispanic tv ratings.

TOOLS OF THE TRADE 120

Its makers hope Medley media-management software will usher in the next generation of PC support.

POINT/COUNTERPOINT/POLL 122

Multimedia packages offer efficiency, but they can also lead you off your marketing path.

ECONOMIC EYE 124

Awards shows as ratings winners, our magazine category scorecard and the Media Cost Index turns the page into January 1989.

ON THE DOCKET 128

New legislation is aimed at cleaning up telemarketing's act, but some say the rules will penalize the good guys.

LAST WORD 132

Technical marketers too often leave their marketing plans in the hands of technicians, says Leslie Hitch.

AS THEY SEE IT

MEDIOLOGY *David Lehmkuhl* 79

Marketing's "bundle of goods" theory is equally applicable to media planning.

TELEVISION *Gordon Link* 80

Innumeracy — the mathematical equivalent of illiteracy — is taking its toll on understanding the television marketplace.

MARKETING *Bob Wells* 82

Part I of a three-part series examines the new relevance of strong brand identity in a price-ravaged world. Are consumers ready to settle down?

MAGAZINES *Jon Marks* 86

A few simple rules can help you find your way through those geographic and demographic buys as the breakouts begin to multiply.

NEWSPAPERS *David Martin* 92

Message to sellers: You're not selling space; you're selling strategic value. Start taking advantage of it.

MARKETING & MEDIA DECISIONS (ISSN0195-4296) May 1989, Vol. 24, No. 5 Copyright © 1989. Decisions Publications Inc. Published monthly. Executive, editorial, circulation and advertising offices at 1140 Ave. of Americas, New York, N.Y. 10036 (212) 391-2155. Available without charge to those personally involved in media decisions at major agencies and advertiser companies. For others, subscription prices are: U.S.A. $48 for 12 issues. Canada $60. Overseas $70 (surface mail). Airmail — add $70. Single copy $4.00. All overseas copies are paid. Second-class postage paid at New York, New York, and additional mailing offices. Postmaster: Send address changes to Marketing & Media Decisions, P.O. Box 6069, Duluth, MN 55806-9769.

DIRECT MARKETING

by Rebecca Fannin

A FRIEND ON THE HILL

The direct marketing industry has a friend in Senator Robert Kasten of Wisconsin, who recently joined in a fight against increased taxes on mail-order sales. In March, Kasten introduced a resolution on the floor of the U.S. Senate in opposition to pending federal-tax legislation.

This legislation, dubbed the "Abuse Tax," would require mail-order companies to collect use taxes from customers in all states that impose a sales tax, including those states where the companies don't have a legal presence.

"In effect, state legislators want to turn mail-order companies in other states into collection agents for their own state treasuries," said Senator Kasten in addressing the Senate. "The collection of taxes in this manner would be grossly inefficient and the costly burdens of this tax collection would hurt mail-order companies and their employees."

The proposal "should be called the 'Abuse Tax' because it abuses consumers, businesses, the economy and the U.S. Constitution," said Kasten, who expressed particular concern for the "elderly, handicapped and rural families who rely on mail-order services for their important purchases.

"Consumers trying to make mail-order purchases would be forced to plow through an intricate maze of state and local taxes — taxes which often affect various items differently — to try and determine the applicable tax, and then actually figure the amount due," said the senator.

Kasten said that allowing state laws to " reach across state lines is a dangerous precedent" and an "entirely unwarranted restriction on interstate commerce."

Needless to say, direct marketers are pleased. Bob Levering, the Direct Marketing Association's vice president for government affairs, noted that the senator's leading role in fighting the tax is a significant milestone. ■

THE TOP 25 DIRECT-RESPONSE ADVERTISING AGENCIES
BY U.S. GROSS BILLINGS

AGENCIES REPORTING FEES & COMMISSIONS ONLY	BILLINGS ($ IN MILLIONS) 1988	1987+
1. Ogilvy & Mather Direct	272.0	260.0
2. Wunderman Worldwide*	266.0	260.0+
3. Rapp Collins Marcoa (1)(2)	210.5	200.0+
4. Foote Cone & Belding Direct	169.0	150.6+
5. Grey Direct International	108.0	103.0
6. Kobs & Draft Advertising, Inc.	90.2	85.3
7. Chapman Stone & Adler	83.6	75.0
8. Barry Blau & Partners, Inc.*	82.5	72.3+
9. Unispond Inc. (3)	62.6	57.0
10. HDM Direct Marketing Group	57.0	N/A
11. Lowe Marschalk, Inc.	55.0	51.0
12. Devon Direct Marketing & Adv., Inc.*	51.4	40.0
13. Unitas Direct	51.0	48.0
14. McCann Direct	51.0	53.0+
15. Eric Mower and Associates, Inc.*	50.5	48.8
16. Saatchi & Saatchi Direct (1)(2)	48.7	28.5+
17. McCaffrey & McCall Direct Marketing	46.2	64.0
18. DMB&B Direct, Inc.*	43.7	37.3+
19. Ayer Direct/Division of NW Ayer, Inc.	39.4	33.4
20. GSP Marketing Services*	39.4	41.7
21. Saugatuck/FKB	36.6	N/A
22. Bozell, Jacobs, Kenyon & Eckhardt, Inc.	34.1	40.1
23. Gillespie Advertising, Inc.*	33.0	27.5+
24. Lawrence Butner Advertising, Inc.*	24.3	27.2
25. Muldoon Direct Inc.	19.7	14.1

+ Agencies submitted adjusted figures for 1987
(1) Does not include internal production revenue
(2) Mergers, acquisitions: Rapp & Collins merged with Marcoa to form Rapp Collins Marcoa. CMS merged with Saatchi & Saatchi Compton DFS to form Saatchi & Saatchi Direct. 1987 figures reflect CMS in Rochester, Atlanta and New York City.
(3) Formerly known as Omni Marketing Inc.
* Information confirmed by outside auditing firm
** J. Walter Thompson did not submit figures for 1988

Source: Direct Marketing Assn.

1988: THE TIE-BREAKER

After an even finish in 1987 with Wunderman Worldwide for the top rank as the largest direct-marketing agency, Ogilvy & Mather Direct pulled ahead in 1988, according to figures recently released by the Direct Marketing Association, with $272 million in billings. Wunderman's year-end total was $266 million. Both billed $260 million in 1987.

Third rank has a newcomer, Rapp Collins Marcoa. The new agency is a merger of Marcoa DR Group and Rapp & Collins, which last year ranked fourth and sixth, respectively.

Other agencies that merged and moved up the ladder include Saatchi & Saatchi Direct, which linked up with CMS last year to become the 16th largest shop. Another newcomer is HDM Direct Marketing; there were no figures available for the agency in 1987. Also debuting on this list are Unispond Inc., previously known as Omni Marketing; Eric Mower & Assocs.; DMB&B Direct; Devon Direct Marketing; Saugatuck/FKB; and Muldoon Direct.

Two major agencies dropped out of the top 25 during 1988: J. Walter Thompson, which ranked 21st last year, didn't make the ranking because it did not supply the DMA with figures. Also a no-show was Ketchum Direct, which last year ranked 23rd.

Award for the fastest growth among the top 25 goes to Devon Direct, which went from 16th to 12th with a billing increase from $40 million to $51 million. McCaffrey and McCall Direct Marketing dropped the most, from $64 million in 1987 to $46 million last year, from a rank of 10th to 17th.

FREEZE FRAME

by William Smith

THE OTHER UPFRONT

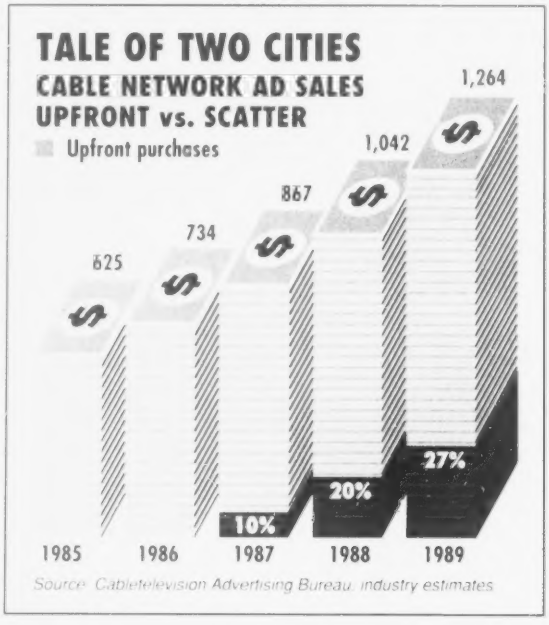
As national advertisers prepare to cut their upfront tv deals for the 1989-90 season, they should expect to find a few more chairs at this year's negotiating tables. While the upfront's main players have traditionally been the big three broadcast networks (plus Fox), the improved lineups and ratings of major cable networks mean this year's deals will probably be made with a big six, or even seven.

Cable sales executives are warning advertisers that top inventory, for cable *and* broadcast, is in short supply. In fact, due to a tight network news market, CNN had sold 90% of its second-quarter inventory by late March, according to sales manager John Barbera. And ESPN had nearly sold out its 1989 NFL football schedule.

While there have been sporadic upfront cable deals cut in previous seasons, the major cable networks this year are structuring their first true upfront market. Like their big brothers in the approximately $3 billion upfront broadcast market, the smaller cable networks are offering guaranteed ratings for advertisers that make large commitments for the upcoming year.

And agencies are taking notice. "This is the first year we've ever bought cable upfront," says Willard Hadlock, executive vice president of media services of Leo Burnett.

Estimates for cable's 1989 upfront revenues vary from $350 million (27%) to $500 million (38%) of the projected $1.3 billion in the national cable advertising market. That's still far below the broadcasters, which lock up about 70% of their advertising dollars during the upfront, according to Tom Winner, media director of Campbell-Mithun-Esty. But for a year in which rating points are widely considered to be scarce, revenues for cable's upfront marketplace are expected to surge 100% from last year's skimpy base, according to Jack Myers, president of Myers Communications.



Cable's upfront business has been fueled by a bevy of medium-sized service and high-tech advertisers, say cable salesmen. By luring computer companies, copier makers, fax machine manufacturers, hoteliers and car-rental firms, CNN's CPMs jumped more than 15% last year, and have doubled to about $6 since 1985. CPMs for network prime currently run about $10.

Squeezed out of cable's prime time are many packaged-goods advertisers, which generally prefer buying cheap CPMs in bulk. Most continue to buy cable quarterly, rather than annually, and have been shifting cable dollars from high-priced big networks to less expensive fare, such as The Nashville Network and Lifetime.

In fact, some agencies with large packaged-goods clients are so used to buying cable in the scatter market that they won't buy cable upfront at all. "Frankly," says one agency media director who requested to remain anonymous, "the cable upfront is way overblown. We view it as a renewal process, because we spend too damn much money to do it any other way."

His agency, like others with a few large clients, sets multi-year terms with the cable networks, which they simply modify each year. Few big advertisers are willing to scrap these longstanding deals and cut new ones from scratch every year, as is the case in the broadcast market.

Young & Rubicam, for example, still plans cable by the season, says Paul Isacsson, executive vice president of broadcast programing. If advertisers want to buy a regular schedule of cable, Isacsson advises they buy time upfront. Otherwise, don't bother. Time on quality programs may be scarce, he adds, but smaller advertisers can probably still buy plenty of decent cable programs on the scatter market.

By contrast, other agencies say that it is the big cable advertisers that can gain the most from buying cable upfront. "The earlier, the better," says Esty's Winner, who says he has already cut several upfront cable deals this year. "It is the advertisers that are heavily involved with cable that should be considering the upfront market."

"We're looking at a natural evolution of cable," concedes Dave Poltrack, CBS vice president of planning and research. But, he adds, cable's upfront presence doesn't worry him. "It's a more sophisticated market," says Poltrack, "but it's not a case of the tail wagging the dog." ■

THE 1989 UPFRONT BUYER'S GUIDE

by Joe Mandese

It's been likened to everything from Wall Street's commodities exchange to an outright crap shoot. Nonetheless, every year in late spring or early summer, advertisers commit billions of dollars to network ad time on ABC's, CBS' and NBC's upcoming tv season. Why the gamble? In a word, protection. Besides locking in known prices and program inventory, "upfront" buyers get guarantees that the shows they buy will meet ratings estimates.

Traditionally, big network advertisers have committed from one-half to three-quarters of their tv budgets to such upfront buys, risking the balance on the unknown pricing and availability of the remaining network inventory in the quarterly scatter markets. But in recent years, a round of unusual circumstances has led a greater number of network buyers to place more of their budgets upfront to protect themselves from the vagaries of scatter. Two years of transition to people meters were followed by last season's triple whammy: the Olympics, elections and the tv writers' strike.

Already, this upcoming season promises a few buying glitches. After announcements from advertisers that they would not sponsor Fox's *Married...With Children* and NBC's *Nightingales* due to controversial subject matter, buyers are bracing for tough negotiations over program content.

"Anything that uses excessive sex, profanity or violence is taboo," notes J. Walter Thompson director of media services Richard Kostyra. He adds that pressure on this year's upfront will come from advocacy groups like the American Family Association, which is monitoring the content of network shows this month, even as agencies plan their schedules. "If people decide that they

PRIME TIME

"Anything that uses excessive sex, profanity or violence is taboo."

Richard Kostyra
Director of media services, J. Walter Thompson

TOP 10 CLIENTS

	1988	1987	% Change
General Motors	$181.8 mm	$111.6 mm	+62.9%
Kellogg	130.3 mm	122.5 mm	+6.4%
McDonald's	128.6 mm	142.3 mm	-9.6%
Philip Morris	125.8 mm	158.0 mm	-20.4%
Procter & Gamble	117.5 mm	110.7 mm	+6.1%
Pepsico	100.8 mm	101.7 mm	-.3%
Unilever	95.7 mm	125.2 mm	-23.6%
Johnson & Johnson	73.0 mm	97.0 mm	-24.7%
Am. Household Prods.	72.7 mm	83.0 mm	-12.4%
Ford	69.5 mm	103.4 mm	-32.8%

TOP 10 CATEGORIES

	1988	1987	% Change
Restaurants/drive-ins	$313.8 mm	$367.3 mm	-14.6%
Domestic cars	231.1 mm	208.0 mm	+11.1%
Imported cars	224.2 mm	208.9 mm	+7.3%
Cereals	214.2 mm	201.2 mm	+6.5%
Movies	123.8 mm	112.4 mm	+10.1%
Candy & Gum	112.5 mm	121.3 mm	-7.3%
Cold remedies	108.5 mm	102.6 mm	+5.8%
Headache remedies	95.5 mm	119.7 mm	-20.2%
Soft drinks	85.7 mm	79.0 mm	+8.5%
Trucks	76.5 mm	79.2 mm	-3.4%

TOP 10 CLIENTS

	1988	1987	% Change
Procter & Gamble	$132.0 mm	$165.9 mm	-20.4%
Philip Morris	49.9 mm	43.9 mm	+13.7%
Unilever	49.2 mm	60.5 mm	-18.7%
Am. Home Products	44.6 mm	54.6 mm	-18.3%
Johnson & Johnson	39.0 mm	50.9 mm	-23.9%
RJR Nabisco	38.1 mm	48.8 mm	-21.9%
Quaker Oats	36.4 mm	34.6 mm	+5.2%
Bristol Myers	31.8 mm	38.8 mm	-18.0%
Eastman Kodak	27.6 mm	31.9 mm	-13.5%
Nestle	25.4 mm	23.2 mm	+9.5%

TOP 10 CATEGORIES

	1988	1987	% Change
Cold remedies	$49.6 mm	$51.0 mm	-2.8%
Cereals	44.7 mm	50.6 mm	-11.7%
Games & Toys	41.3 mm	45.4 mm	-9.0%
Candy & Gum	40.1 mm	38.2 mm	+5.0%
Headache remedies	39.3 mm	51.5 mm	-23.7%
Dental products	38.1 mm	44.5 mm	-14.4%
Underwear	35.3 mm	40.2 mm	-12.2%
Laundry products	32.3 mm	29.0 mm	+11.4%
Pet foods	30.3 mm	35.7 mm	-15.1%
Coffee, tea & cocoa	27.0 mm	28.0 mm	-3.6%

> "There is no reason not to buy daytime. It is a bargain daypart."
>
> ***Mel Conner***
> ***Director of network operations, Saatchi & Saatchi DFS***

DAYTIME

want to be in placid, safe shows, that would certainly put a premium on shows like *Matlock*," predicts Saatchi & Saatchi DFS director of network operations Mel Conner.

Ogilvy & Mather director of national tv and programming Alice Greenberg agrees. "There will be a greater demand against softer shows and an avoidance of shows that are perceived as being a problem," she says. "That will create a pricing structure that is separate from ratings. Safe shows with low ratings may get a premium, because the demand is there and shows that have high ratings but problems with content may be avoided."

Should buyers run out of "safe" shows, Saatchi's Conner predicts prime-time budgets may shift into news, latenight or other media. Be that as it may, most network advertisers will likely continue to build their 1989-90 schedules around prime time.

PRIME TIME

According to data from Broadcast Advertisers Reports, the $3.662 billion the three networks wrote in 1988 prime-time business was off 8.3% from the $3.994 billion they did in 1987. Network executives note, however, that those diminished billings merely were diverted to nearly $1 billion in Olympics and political advertising on the three networks. NBC executive vice president of sales and marketing Bob Blackmore estimates that NBC's 16 days of Summer Olympics coverage and several Olympics specials absorbed about 5% of its prime-time inventory for 1988.

Network executives also claim Olympics billings accounted for declines in several key prime categories and advertisers. Restaurant/drive-ins, for instance, was off 14.6% to $313.8 million, as was the category leader, McDonald's, which reduced its 1988 prime budget by 9.6% to $128.6 million. However, McDonald's also was a big Olympics advertiser.

While other prime categories, including candy & gum (-7.3% to $112.5 million) and headache remedies (-20.2% to $95.5 million), were also off in 1988, healthy auto increases from domestics (+11.1% to $231.1 million) and imports (+7.3% to $224.2 million) helped compensate. In fact, General Motors jumped ahead of Kellogg, McDonald's, Philip Morris and Unilever to take the top prime-time advertiser position, with a 62.9% increase in the daypart to $81.8 million in 1988.

"The surprise in prime time has been the strength of the automotive category, led by General Motors," notes ABC general sales manager John Tiedemann. "We believe that will continue with the introduction of many new luxury models in 1989-90," he predicts.

BETTING LINE: Barring an unusual upsurge in demand, buyers expect prime to be more moderate than in recent years, with rates rising 5%-9%.

EARLY MORNING

> "All of a sudden daytime is cheaper than early morning."
>
> ***Steve Grubbs***
> ***Director of national tv buying, BBDO***

TOP 10 CLIENTS

	1988	1987	% Change
Procter & Gamble	$29.5 mm	$30.7 mm	-3.9%
Philip Morris	15.2 mm	16.9 mm	-10.1%
Kellogg	8.9 mm	6.9 mm	+29.0%
Ohio Mattress	6.2 mm	3.5 mm	+80.0%
Quaker Oats	5.9 mm	5.5 mm	+7.3%
Heinz	4.7 mm	2.1 mm	+123.8%
RJR Nabisco	4.6 mm	5.9 mm	-22.0%
Eastman Kodak	4.5 mm	2.4 mm	+87.5%
Sears	4.2 mm	1.1 mm	+281.8%
Beecham	4.2 mm	1.6 mm	+162.5%

TOP 10 CATEGORIES

	1988	1987	% Change
Cereals	$22.8 mm	$16.3 mm	+39.9%
Coffee, tea & cocoa	19.8 mm	14.0 mm	+41.4%
Dental	13.1 mm	12.1 mm	+8.3%
Cold remedies	8.3 mm	10.5 mm	-21.0%
Furniture	7.6 mm	5.2 mm	+46.2%
Headache remedies	6.9 mm	7.1 mm	-2.8%
Juices	6.6 mm	7.4 mm	-10.8%
Media	6.2 mm	3.9 mm	+59.0%
Dairy	4.4 mm	3.9 mm	+12.8%
Prepared foods	4.1 mm	4.6 mm	-10.9%

DAYTIME

Interestingly, automotive may be a big factor in network daytime as well. Although the automotive industry has been absent from the daypart in recent years, aggressive network marketing efforts appear to be paying off. Several imports, including Hyundai, Subaru and Yugo, have been testing the daytime waters, and Detroit is said to be considering an upfront commitment.

This would be welcome news for salesmen, who have seen steep discounting on rates over the past couple of seasons due to waning demand from advertisers shifting money into fringe dayparts or cable and syndication.

As a result, network daytime revenues declined 7.8% in 1988 to $1.219

billion. Only two of the top ten daytime categories (candy & gum, +5.0% to $40.1 million, and laundry products, +11.4% to $32.3 million) increased spending in 1988, and only three of the top ten clients (Philip Morris, +13.7% to $49.9 million; Quaker Oats, +5.2% to $36.4 million; and Nestle, +9.5% to $25.4 million) were up.

The good news for daytime buyers, however, is that prices have fallen so low that it has reached parity with alternatives like cable and syndication and has become a relative bargain. "After two successive years of market adjustment downward, *Consumer Reports* would call daytime a 'Best Buy'," says CBS senior vice president Jerry Dominus. Saatchi's Conner agrees. "There is no reason not to buy daytime — it is strictly a perception problem. It is a bargain daypart at this point."

BETTING LINE: Daytime's relative economy makes it the place to shift budgets if other dayparts rise too high. Rates will increase slightly in the low single digits.

EARLY MORNING

In their search for working women, advertisers have shifted daytime dollars to early morning to the point where early-morning costs have now surpassed daytime, and many buyers believe it is due for a correction. "For a long time, people had looked at early morning as being a cost advantage over daytime, and that's no longer the case," explains BBDO director of national tv buying Steve Grubbs. "All of a sudden daytime is cheaper than early morning, and the networks may have internal competition with one daypart cannibalizing on the other."

Early morning is a relatively small daypart, however, and it doesn't take much demand to push rates up. Dramatically increased demand from categories like cereals (+39.9% to $22.8 million), coffee/tea (+41.4% to $19.8 million), furniture (+46.2% to $7.6 million) and media (+59.0% to $6.2 million) have made it a healthy daypart indeed.

BETTING LINE: +6%-10%.

TOP 10 CLIENTS

	1988	1987	% Change
Anheuser Busch	$15.7 mm	$19.2 mm	-18.2%
Bristol Myers	15.5 mm	16.9 mm	-8.3%
Philip Morris	13.2 mm	25.6 mm	-48.4%
AT&T	12.9 mm	9.9 mm	+30.3%
Ralston Purina	12.6 mm	7.8 mm	+61.5%
Quaker Oats	11.2 mm	8.3 mm	+34.9%
Procter & Gamble	11.1 mm	10.8 mm	+2.8%
Grand Metropolitan	10.8 mm	14.5 mm	-25.5%
RJR Nabisco	10.7 mm	15.9 mm	-32.7%
General Motors	10.4 mm	8.6 mm	+20.9%

TOP 10 CATEGORIES

	1988	1987	% Change
Imported cars	$24.7 mm	$15.0 mm	+64.7%
Beer & Ale	22.2 mm	34.4 mm	-35.5%
Candy & Gum	19.2 mm	18.8 mm	+2.1%
Movies	18.9 mm	12.2 mm	+54.9%
Restaurant/drive-ins	18.3 mm	23.0 mm	-20.4%
Small appliances	13.5 mm	10.9 mm	+23.9%
Domestic cars	13.3 mm	12.0 mm	+10.8%
Cereals	12.8 mm	8.9 mm	+43.8%
Cold remedies	11.5 mm	9.4 mm	+22.3%
Financial services	9.5 mm	5.2 mm	+82.7%

Source: Broadcast Advertisers Reports

"It's become much more competitive with the introduction of *Arsenio* and *Sajak*."

Alice Greenberg
Director of national tv & programing, Ogilvy & Mather

LATE NIGHT

LATENIGHT

Due to increased demand from advertisers seeking young, urban viewers — particularly on NBC's coveted schedule — latenight has become one of the most inflationary network dayparts. Although the beer & ale category was off in 1988 (-35.5% to $22.2 million), increases from imported cars (+64.7% to $24.7 million) and movies (+54.9% to $18.9 million), among others, have compensated. However, the expansion of latenight inventory, especially with the addition of CBS' *Pat Sajak Show* and Paramount's *Arsenio Hall Show* may, in fact, ease demand.

"It's become a much more competitive situation with the introduction of *Arsenio* and *Sajak*," observes O&M's Greenberg. "I don't know that NBC can continue to deal as a monopoly in that environment."

BETTING LINE: +7%-10% increases.

NEWS

As another small daypart that has been experiencing strong demand, cereals (+36.4% to $87.7 million), domestic cars (+24.3% to $43.5 million) and communications (+209.5% to $13.0 million) have helped push news CPMs up high. "A lot of advertisers want to be in informational programing," notes Campbell-Mithun-Esty media director Thomas Winner. "It's not just corporate advertisers [+29.5% to $40.8 million]," he says, "it's anybody who has facts in their commercials. So, news has been quite strong."

BETTING LINE: +7%-10% increases. ■

NEWS

"A lot of advertisers want to be in informational programing."

Thomas Winner
Media director, Campbell-Mithun-Esty

TOP 10 CLIENTS

	1988	1987	% Change
Kellogg	$52.3 mm	$33.6 mm	+55.7%
Am. Home Products	30.3 mm	26.9 mm	+12.6%
General Mills	29.5 mm	18.9 mm	+56.1%
AT&T	27.3 mm	14.1 mm	+93.6%
General Motors	25.7 mm	24.0 mm	+7.1%
Johnson & Johnson	22.7 mm	19.1 mm	+18.9%
Bristol-Myers	20.0 mm	13.7 mm	+46.0%
Ford	19.4 mm	13.0 mm	+49.2%
Eastman Kodak	19.4 mm	18.3 mm	+6.0%
RJR Nabisco	19.1 mm	21.9 mm	-12.8%

TOP 10 CATEGORIES

	1988	1987	% Change
Cereals	$87.7 mm	$64.3 mm	+36.4%
Headache remedies	49.2 mm	45.1 mm	+9.1%
Domestic cars	43.5 mm	35.0 mm	+24.3%
Institutional/corp.	40.8 mm	31.5 mm	+29.5%
Digestive aids	22.8 mm	23.6 mm	-3.1%
Imported cars	21.0 mm	32.5 mm	-35.4%
Dental products	17.9 mm	21.0 mm	-14.8%
Cold remedies	15.6 mm	14.7 mm	+6.1%
Communications	13.0 mm	4.2 mm	+209.5%
Laxatives	13.0 mm	14.7 mm	-11.6%

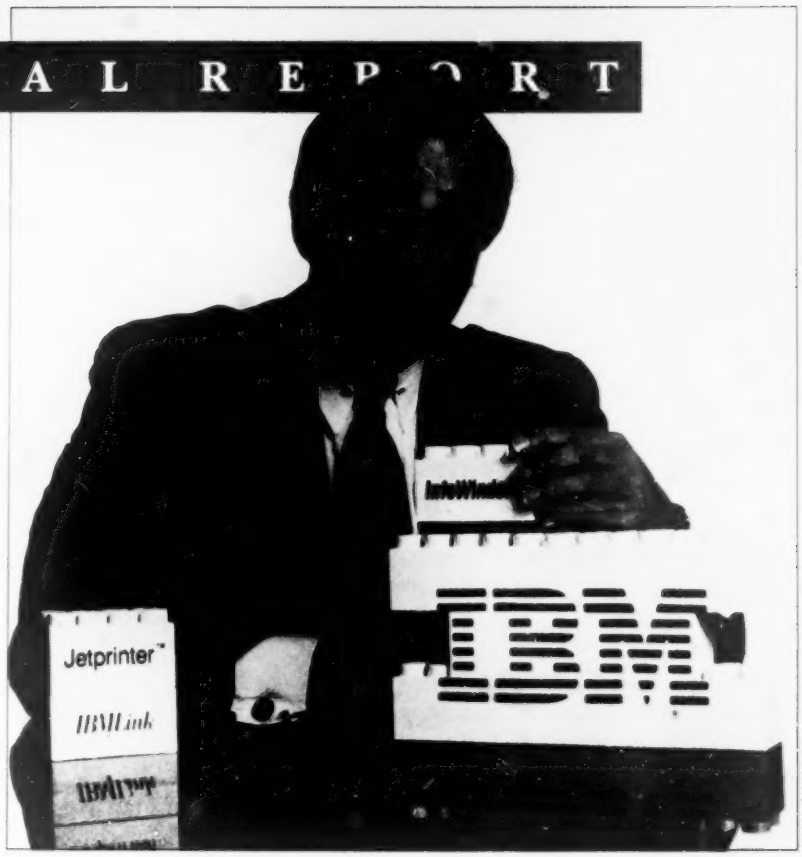
Source: Broadcast Advertisers Reports

IBM'S BRAND STAND

SPECIAL REPORT

Big Blue is adding brand-name positioning to its product and service sell.

by David Kalish



ADAM CHINITZ

Smith says brand names fit IBM's marketing game plan.

Inside a small group of offices at the Armonk, N.Y., headquarters of International Business Machines, a very major change is getting underway. After years of identifying its products with often incomprehensible and passionless letter/number combinations, Big Blue swears it has seen the error of its ways. Branding — the marketing of its products under catchy, descriptive names — is the way IBM wants to go. Not only does IBM say it is now a believer in branding and the halo it can bestow upon entire product lines, but it is using the tactic as the cornerstone of a new marketing strategy that will emphasize its sensitivity to customers' requirements.

"We found ourselves dumping things on customers that didn't really address their needs," admits Marty Smith, IBM's manager of naming strategy for its U.S. Marketing and Services unit. "We are doing everything we can to become more marketing-driven."

As a first step in that process, eight employees now spend their days brainstorming and condensing complex jargon into two words or less. The centralized naming unit, which started up 22 months ago as part of the larger effort to overhaul IBM's gray image, has already made itself felt. A new, touch-sensitive screen has been dubbed InfoWindow, a desktop image-capturing device is now called PageScanner and IBM Link is the moniker for the company's customer-service arm. If the products' engineers had had their way (which they did in the past), these new endeavors would be known as the 4055 Display Unit, the 3119DICB and the INFO/MVS.

The new brand names will be a major weapon in IBM's struggle to ward off the "clones" that are increasingly nipping at its market share. Last year

the $59.7 billion company weighed in with sluggish earnings and a 1.8% drop in its share of the personal computer market. Dataquest figures IBM's 1988 PC market share slumped to 27.9%, its third consecutive fall since 1985, when its share was 41%.

Observers blame much of the lost sales on an unfocused IBM marketing strategy that made buyers susceptible to the lure of inexpensive clones. The rap is that IBM failed to rein in related products under cohesive, identifiable marketing campaigns. "The more scale you have under a particular brand name, the more efficient you become in marketing," explains John Ruf, a principal at New England Consulting Group in Westport, Conn. "With a company the size of IBM, you want some coherence of products in a particular line."

Apple Computers, for example, has come on like gangbusters these past few years, thanks in part to a readily identifiable brand image. Though it offers two distinct product groupings, the appealingly related brand names of Apple and MacIntosh have made it easy for advertising to build separate personalities for each line.

Then too, IBM has been hurt by copy-cat manufacturers who borrowed acronyms similar to Big Blue's and further confused the public. IBM's naming strategy is a first-strike offensive against these offenders. Lawyers hope that distinctive names will make it easier to prove trademark infringement, a legal avenue IBM has pursued aggressively in recent years. In 1987, IBM lawyers went so far as to sue AST Research Inc. in Irvine, Calif., for using the tag "/2" in ads for two memory-expansion boards for PS/2s. A U.S. court ordered AST to pull the ad.

The branding unit, which will work on all new IBM products (it's considered too risky to rename existing equipment), has a major task, says Smith. "What we're doing in branding is really a precursor to what we're doing with marketing plans," he notes. "We are writing more and more marketing plans before we launch."

The branding unit helps IBM marketing plans get off on the right foot. Branding-unit employees, each of whom is responsible for a separate category (one specializes in software programs, another in mid-range computers), communicate through electronic mail with the product's inventor to find out what market it targets. Often turning to surveys and focus groups of prospective customers to get a fix on which names work, they supplement research with summaries of magazine articles detailing similar products.

After coming up with prospective product names, the naming specialists match them against existing product names culled from data bases. If a conflict is identified, the naming unit may try to win an agreement from the name's owner or, as a last resort, try to purchase a name out-right.

The market-driven strategy goes beyond branding. IBM officials brag that eight months before announcing the new mid-range computer AS/400, they invited 100 prospective customers to check it out. "They told us what we'd done right and what we had not paid enough attention to," recalls Smith. Many people suggested that the computer offer more software programs; others wanted easier-to-use functions. The final product, introduced last summer, reflects those suggestions. Sales of the AS have been better than projected.

Yet old habits die hard. Many IBM watchers are cynical about the company's commitment to the image and branding venture. For one thing, the more distinctive generation of names is confined mostly to new IBM peripherals and services — the existing nomenclature of its computers is considered too entrenched to change. "Some of our names are still terrible," Smith acknowledges. Indeed, one could be forgiven some skepticism when it is learned that the branding center's computer system is called the 3270/PC. Scoffs an observer familiar with IBM's marketing strategy, "One of their claims is they always stay in touch with the consumer — but a lot of people would argue the reverse. [IBM] is *always* saying they've mended their ways."

Still, IBM does seem to be making more of an effort to at least project the image that its products are consumer-driven. Whether by genuine belief or marketing necessity, IBM seems to understand that the type of people who purchase computers and related products has shifted dramatically.

As the high-tech revolution spread into middle-American homes, the computer market went from a domain dominated by hackers and techies to one that's saturated with more mainstream consumers — notably, small-business executives and entrepreneurs. "These people are very conscious of brands," explains Tom Mandel, senior management consultant at SRI International in Menlo Park, Calif.

IBM is in good company in reaching out to this new breed of computer user. "More and more businesses are concerned with getting names that sound like they are targeting consumers but in fact are targeting businesses," says Mike Carr, president of The Salinon Corp. in Dallas, a composing software manufacturer and branding consultancy.

IBM's new agencies — it split its account between Lintas: USA and Wells, Rich, Greene after longtime agency Lord, Geller, Federico and Einstein splintered — must meet this

THE PC PICTURE
(All personal computers)

	1988 Estimated If-sold Value of Shipments by Vendors			1987 If-sold Value of Shipments by Vendors		
	Rank	Millions of Dollars	Share	Rank	Millions of Dollars	Share
IBM	1	6,255	27.9%	1	5,491	29.7%
APPLE	2	2,732	12.2	2	2,550	13.8
COMPAQ	3	1,862	8.3	3	1,350	7.3
ZENITH	4	1,209	5.4	4	1,022	5.5
TANDY	5	1,125	5.0	5	899	4.9

Source: Dataquest, April 1988

changed market. IBM's ad strategy is two-pronged. The computer company traditionally has tried to pick a main issue as the fulcrum for its advertising. This year the corporate umbrella campaign, created by Wells, Rich, Greene (which also handles ads for its mid-and upper-range products), contends IBM is a more market-driven company that cares about what its customers think. And for the past two years IBM has tried to unify its product advertising strategy by relying on ads with similar-looking graphics and typefaces to peddle often distinctly different products.

Lintas handles all ads for the desktop products, including PS/2, printers, displays and typewriters. In one new campaign, the creative execution is inextricably linked with the media buy. The print campaign for the IBM PS/2 dramatizes what life would be like without the computer's "Micro Channel" hardware. The PS/2 architecture, an early brainstorm of the naming unit, allows users to run more than one program at once. "Imagine if *USA Today* had only one column," reads the headline. Not surprisingly, the ad runs in *USA Today*; the same creative approach is used for ads in the *Wall Street Journal, PC Week* and *Computerworld*.

The customers' wants and needs are now addressed directly in its marketing efforts.

With businesspeople being IBM's primary customer target, mid- and upper-range product campaigns stress print over television, with ad strategists insisting that entrepreneuers are anything but couch potatoes. The AS/400 campaign, after being launched in June with network tv, radio and print, went solely to magazines such as *Business Week* and newspapers like the *Wall Street Journal, New York Times* and *USA Today* in January.

A new umbrella campaign for IBM products, meanwhile, is heavily dependent on television, with IBM's fresh stress on consumers getting network play on the April episodes of *Around the World in 80 Days*. Network tv spending was $50 million in 1988, BAR/LNA reported.

Because of the switchover in agencies, IBM's ad spending took a dip as the new teams struggled to get a handle on print spending, according to one observer. IBM's consumer ad spending slumped 2.4% to $98.7 million in 1988.

However, IBM's pursuit of the small-business consumer led it to dramatically up spending in business-to-business publications. It went from $6 million to $14.8 million in 1988, according to MMS-Rome Reports. Beneficiaries of new ads for PS/2's Micro Channel included *Computerworld* and *PC Week*. IBM by some estimates spent more on b-to-b in the last two quarters of '88 than in the preceding 12 months.

"They're continuing to say they've revamped this or changed that," says Kevin Bohren, director of corporate communications at fast-growing Compaq Computer Corporation, whose sales shot up 70% to $2.1 billion last year. "Now they're doing a new twist — selling Micro Channel. Most people could care less what Micro Channel means." For its part, IBM insists Micro Channel, as a key feature of the PS/2, deserves the play.

The competition is fiercely fighting IBM's consumer-driven approach with its own brand of image-building. Compaq more than doubled its ad budget last year to $17 million, according to BAR/LNA, and is putting emphasis on tv buys while reducing the number of print books. With the focus on sports and network news programs, as well as on cable channels like FNN, CNN and ESPN, Compaq's tv drive is designed to build more brand awareness and to reach more broadly its 25-50-year-old male audience.

Apple increased its ad budget nearly 40% to $44.7 million, BAR/LNA reports. A large part of that increase went toward spending on the 1988 Summer Olympics, typifying Apple's strategy of dominating big-splash events. And for the first time, Apple spending in cable surpassed IBM's in 1988. The Silicon Valley-based computer-maker doubled its cable budget to gain time on male-targeted stations like CNN and ESPN. In addition, Apple won advertising exclusivity last year on NBC ballgames and college bowl games. "You pick up copies of the *Wall Street Journal* and a very high percentage of ads are dedicated to high-tech products," says Ron Harrison, senior vice president and director of media services at BBDO in Los Angeles, Apple's agency. "In tv we try to have a more dominant position."

For its part, Apple relegates the job of naming its products (relatively few compared to IBM's roughly 1,000 annual launches) to engineers and product managers. But Apple has a marketing intelligence group that checks up on how current owners are using product, exposing prospective customers to new ideas while getting their feedback. "It absolutely has influenced the type of features in a product," says Bruce Mowery, Apple director of marketing communications.

IBM's new naming unit is quickly becoming an essential part of its marketing mix. For example, one of the naming unit's newest brainstorms, "ServicePlan," is an umbrella name for 18 distinct service contract alternatives. "By giving the customer less to remember, he remembers the name," explains Smith. And that, executives hope, will give Big Blue the big break. ■

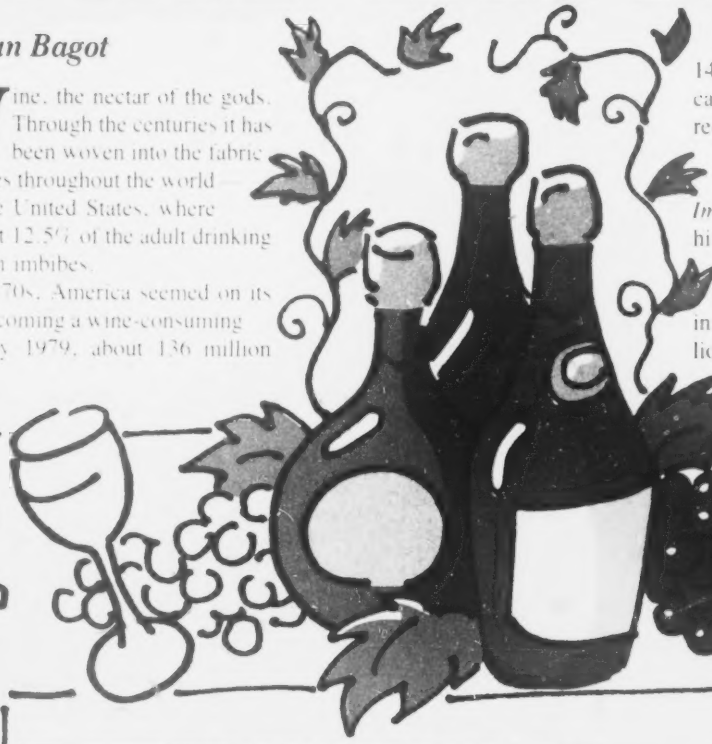
No. 161: Domestic Wine

WINE TASTINGS

by Brian Bagot

Wine, the nectar of the gods. Through the centuries it has been woven into the fabric of societies throughout the world — except the United States, where only about 12.5% of the adult drinking population imbibes.

In the '70s, America seemed on its way to becoming a wine-consuming nation. By 1979, about 136 million cases of table wine were sold, a 144% increase from 1970's 56 million cases, according to Frank Walters, director of research for M. Shanken Communications, publishers of alcoholic-beverage industry trades *Impact* and *Market Watch*. But after hitting 170 million cases in 1984, the thirst seemed to be quenched. With the 1988 numbers just rolling in, Walters pegs case sales at 144 million, up about 1% from 1987. Total



DOMESTIC TABLEWINE MEDIA EXPENDITURES (000)
January-December 1988

	Media Total	BAR Network Television	BAR Spot Television	BAR Cable Television	BAR Syndicated Television	RER Spot Radio	LNA Magazines	MR Newspapers	LNA Sunday Magazines	BAR Network Radio
Gallo	13,582.9	9,346.8	3,155.3	10.6	1,006.8	—	—	60.5	—	—
Almaden	3,324.6	—	2,776.1	558.5	—	—	—	—	—	—
Paul Masson	1,707.0	357.8	978.9	46.0	—	—	262.7	61.8	—	—
Taylor California Cellars	1,488.4	79.5	644.9	26.5	—	—	—	—	—	737.5
Inglenook	1,892.1	—	402.1	—	—	—	1,342.2	—	147.0	—
Cribari	409.3	300.4	—	5.4	—	—	103.5	—	—	—
SutterHome	1,779.5	—	—	—	—	1,779.5	—	—	—	—

Sources: Broadcast Advertisers Report (BAR), Leading National Advertisers (LNA), Radio Expenditures Report (RER)
Outdoor not reported during period. No expenditures reported for Carlo Rossi, Sebastiani, Guimarra

MIKE QUON DESIGN

U.S. consumer spending on wine is about $9-$10 billion.

Despite the near-flat overall business, growth in domestic table wine still has producers giddy. This category, according to Walters, rose about 3% to 120 million cases. "The growth is accounted for by the varietal business," says Walters. The activity in this refined, grape-specific category

Redesigned labels are helping brands stand out on the shelf.

can be traced to the developing sophistication of consumer tastes. As the saying goes, they're drinking less, but drinking better. Vintners are responding to this demand by pouring more resources into varietals and premiums as they move out of the lower-end generic, or jug-wine, business.

All the excitement in the varietal segment has made it highly competitive, and wineries are aggressively using promotions such as rebates or simply underpricing competitors to grab consumers. Margins, therefore, are reduced, making advertising, both print and broadcast, almost an afterthought. Overall, leader Gallo outspent its closest rival about 4:1 in 1988, to total a modest $13.6 million, according to Leading National Advertisers. The majority of wine ad dollars find their way into broadcast or cable; Media Records, for example, shows wine advertising in newspapers fell 31.6% to barely more than $4 million last year compared with 1987.

Robert Carroll, vice president of marketing for Sebastiani Vineyards, thinks advertising is not tremendously effective. "I think maybe the mass-market appeal doesn't work," he says. "The majority of wine sales are impulse buys. Usually consumers grab what they see. Most of our marketing efforts go into point-of-sale display." Nonetheless, the top-spending advertiser, Gallo is also the top-selling vintner.

John Fisher, managing director of Hembrecht & Quist, investment bankers to the beer, wine and spirits industries, sees wine as one of the most competitive consumer goods in the U.S. "Think of cosmetics," says Fisher. "There are probably 50 national cosmetics brands, and if you include regional brands, the number probably hits 300. There are more than 700 wineries in California alone, producing 2,000 labels."

Currently, there are about 20 million wine drinkers in the U.S. The core wine-drinking group tends to be college educated, aged under 50, with a household income above $25,000 and split pretty evenly between men and women. Louis R. Gomberg, chairman of Gomberg, Fredrikson & Associates, publisher of *The Gomberg-Fredrikson Report* on the wine industry, segments these drinkers three ways: elitists, semi-elitists and wine lovers. He estimates that these groups consume about 75% to 80% of the table wine in the U.S. Women, he says, hold the edge over men as purchasers, noting that in about half the states, grocery stores are permitted to sell wine.

Surprisingly, drinkers are not brand loyalists. Martin & Martin Information Consultants, Austin, Texas, shows via its survey of 2,000 randomly selected households that, in terms of loyalty to favorite brand, 46.9% sometimes switch, 34.3% often switch and only 5.6% said they never switch. "The tendency is to enjoy popular-priced wines everyday, whereas on special occasions with visitors or on a trip, they tend to emphasize premium-priced wines," explains Gomberg.

Although tastes are changing, white wine continues to give red a licking, with about a 70% share of the table wine market, according to Gomberg. If rosé is included with white, total market share reaches about 85%. These numbers are supported by Martin & Martin, which reports that 37.1% often consume domestic white table wine, 15.4% red, 9.6% rosé and 9.2% opt for blush.

As a segment of the total wine market, table wine breaks out into several categories. At the jug or generic end, where wines are mixed from several different grapes and retail for under $3 for 750 ml., business has been dropping precipitously at about 5%-to-10% a year over the last several years.

This has just about every generic wine producer entering a contender in the fighting varietal category — $3-$7 for 750 ml. — where the big boost has come from the blush wines like White Zinfandel, which has about 28% of the varietal market, according to Walters. This move goes beyond upgrading the wine for several producers. A new image has to be created, so as Chardonnay and Cabernet wines are introduced by wineries synonymous with jugs, labels and packaging have become two of the most important elements in the introductions.

Other segments seeing activity pick up are the super premiums at $7-$14 a 750 ml. bottle, and ultra premiums at

Advertising's a luxury as wines battle with price and P-O-P.

$14 and up per 750 ml. bottle. But there are some sour grapes in this segment. As raw-material costs go up, top-selling varietal grapes are running $1,000 to $2,000 a ton, and wineries are pressed to pass the increases along to consumers, who are beginning to resist.

American wine drinkers still prefer to drink at home, with the bulk of consumer retail spending going to off-premise sales, which rose 3.3% to $7.4

billion, while on-premise spending fell 0.6% to $5.2 billion last year, according to *Jobson's Handbook Advance*. This gave total consumer retail spending on wine a 1.7% increase to $12.6 billion in 1988. Off-premise sales include supermarkets and other retail stores, while on-premise includes bars and restaurants.

In their efforts to invite new customers, producers are treading a fine line. They are attempting to remove the perceived snobbery associated with buying a bottle of wine, and at the same time they have to keep some of the mystique in one of the world's oldest beverages.

Gomberg, meanwhile, thinks the wine industry should be more aware of the intimidating atmosphere that has developed as a result "of promoting brand names that are unpronounceable and characteristics that to non-wine users are virtually unknown." He continues that the mass market does not feel comfortable with wine. "Most Americans are not oriented and conditioned to understand a product called wine. In contrast there's not an Italian alive who doesn't understand a product called vino," he explains.

There's a danger in taking the mystique out of wine — the image is part of the sell.

Alex Morgan, director of marketing for Sutter Home, says the whole focus of his company's strategy is to tell consumers that it's okay not to understand the nuances of wine. "What does matter is, if it's a decent value and you like it, it's a good bottle of wine. We're in the beverage business, not just the wine business," he stresses.

The top-selling domestic table wine brand names based on Walters' 1987 case-sale estimates (1988 figures not yet available) are Carlo Rossi (16 million cases); Gallo (15 million); Almaden (9 million); Inglenook (8 million); and Paul Masson (6 million). Also included are Taylor California Cellars, Sebastiani, Cribari, Sutter Home and Giumarra. Following are details of these vintners' positions in the changing wine market.

Carlo Rossi

Carlo Rossi is the economy-priced brand, about $4 for four liters, with about 16 million case sales in 1987, according to Walters. It was started by E & J Gallo Winery to fill a gap created by wineries and bottlers closing or moving up to the popularly priced category, and Rossi now dominates its segment. But wine watchers think E & J Gallo, the overall number-one winery with a 40% share of total California wine shipments, has been gradually shifting emphasis from the highly cost-competitive economy category to its popularly priced Gallo brands. "There has been some upward shift from economy to the popular-priced category — Gallo Hearty Burgundy and Gallo Pink Chablis," notes Gomberg of Gomberg, Fredrikson.

Ken Potrock, vice president of marketing for Vintners International, agrees and thinks Carlo Rossi is going to have a tough time as the market trades up. "Carlo Rossi, with its image as a cheap jug, is going to be hit with declines. But this is okay for Gallo, which will really milk the brand and not spend anything on promoting it. They'll just do their best to maintain volume and enter other categories."

Gallo

Gallo is the nation's second-leading table wine brand, again from E & J Gallo Winery. It's generic table wine sales were about 15 million cases in 1987, according to Walters. It's a competitive brute, with a reputation for muscling into and taking over markets with what industry watchers describe as the sharpest marketing strategy in the business — a strategy the company refuses to discuss with the press or anyone else.

But observers have put their finger on some of its strategies, which includes playing a really tight price game. As Charles Martin of Martin & Martin puts it, "The entire pricing structure is based on Gallo's pricing."

Gallo has about a half dozen divisions, each responsible for different slices of the whole marketing pie. These include a strategic division for opening new markets, planning strategies for overcoming competition and improving quality control.

One industry observer says the winery "excels in marketing disciplines. Where competition threatens to come in, they immediately go to work on it. They have the money, manpower, capability and desire to excel."

Too much mystery, however, may be turning away the untapped drinking public.

Hambrecht & Quist's Fisher views Gallo as the premier marketer in the wine industry. "They spend heavily on marketing, with great effect. People who spend time at Gallo are the most sophisticated marketers in the industry."

"Gallo comes into the market, identifies the group it wants to hit and pumps in a lot of money," adds Martin. "The wine becomes a hit, and they walk away. But as sales gradually fade, they pump in more money and if it doesn't sell, they drop it."

But the wine market is changing, and the king of the jugs is finding it a little harder to get into the fighting varietal and other premium markets. Gallo has entered the fighting varietal segment with its The Wine Cellars of Ernest & Julio Gallo label, but the competition is not ready to throw in the towel. Rather, it's going head to head on price as well as developing creative value-added promotions.

One element that helped bring the

company to the top — the Gallo name — may be a handicap. The brand has been established as the primary source for moderate and popularly priced wines, under $3 for 750 ml., and consumers appear to be reluctant to spend $4 on a bottle they perceive as cheap.

The winery may have recognized this when it introduced its Wm. Wycliffe fighting varietal label to target the on-premise business, noting that finer restaurants may be reluctant to put a brand with a reputation as a popularly priced jug wine on their wine lists.

Almost all of Gallo's ad dollars are in broadcast, according to LNA. Besides token amounts in cable and newspapers, some 68% of the budget went to network efforts in 1988, while another 23% went to spot tv.

Almaden

Almaden, a Heublein operation recognized for its tear-shaped jugs, recently introduced a line of five premium wines under the Almaden Blossom Hill name. These include Chardonnay, Cabernet Sauvignon, White Zinfandel, Sauvignon Blanc and Gamay Beaujolais. "They appeal to the basic wine consumer, who is not a wine expert but an everyday consumer," says Mike Jacobson, Almaden's director of marketing. "These wines do not require an education in wine tasting to enjoy."

The Blossom Hill collection is supported with a full line of promotional material and a radio campaign with the theme, "The wine you don't have to learn to love." Packaged in 1.5 liter magnum bottles, a departure from the Almaden jug, the line is price competitive with Sebastiani at $4.99 to $5.99, depending on the market.

From a promotional standpoint, heavy emphasis is placed on "semi-permanent" display materials like wooden bins. "We're looking for materials that serve to be permanent and decorative pieces in the wine section of the stores," Jacobson states. Almaden is also being emphasized for on-premise consumption with on-premise materials like acrylic table card holders with changeable cards. The cards provide descriptions of the different wines and duplicate the bottle labels. About 9 million cases of Almaden table wine were moved in 1987, according to Shanken's Frank Walters.

Inglenook

Noting the expansion of the premium category and the strength of its position as number three in the sub-premium varietal segment, Inglenook entered a line into the upper-tier and contemporized its packaging by adding more color so it would "jump off the shelf." In January the specific wine types were added to the brand, which include a Sauvignon Blanc and Gamay Beaujolais, giving it a presence in the upper and lower tiers of the varietal segment. A White Zinfandel was added to the line in 1987. Inglenook sold about 8 million cases in 1987, according to Walters.

With a price war raging, Heublein, parent of Inglenook, decided to take an alternate route with value-added promotions. Last year it offered two different types of flower seeds on neck hangers "so consumers got something gratis instead of the usual refund," notes Joanne White, marketing director for imported and domestic wines at Heublein. A calendar/datebook is another value-added promotion used early this year. In the book, one or two wines are featured each month and the tastes and differences are explained. "We want to give more than just price promotions," says White.

Supporting the promotion efforts is a national print campaign, combined with local print in key marketing areas targeting that group of college educated, upper-income baby boomers. National print ads are running in *People*, *Bon Appetit*, *Newsweek*, *Us*, *Money*, *Savvy* and *Food & Wine*.

Paul Masson

Paul Masson is still selling no wine before its time. But parent Vintners International thinks the time has come to step up the brand, which is firmly entrenched in the jug segment with an estimated 6 million case sales in 1987. Ken Potrock, vice president of marketing for Vintners International, which acquired the brand from Seagram about two years ago, says that to succeed, you have to "go where the action is." And that's just where Vintners is taking its flagship brand with a new Masson Vineyards collection of vintage premium varietals.

This line competes with Mondavi and Beringer in the 750 ml. bottle at $8-$9. Introduced last year with of a $1.5 million print ad budget and tasteful packaging, the company moves about 700,000 cases a year.

The print theme, running in *Bon Appetit*, *Time* and *People*, as well as trade books like *Market Watch*, *The Wine Spectator* and *Hotels & Restaurants International*, is, "Before we raised the glass, we raised a standard." The key here, according to Potrock, is, "People know they are trading up, and we are taking the brand up."

Masson also entered a line into the battle of the varietals with Paul Masson Vintners Selection in 1.5 liter size.

Masson, a jug leader, has decided to "go where the action is" to achieve growth — upscale varietals.

Priced at $4.99 to $5.99, the line is made up of the popular varietals including Chardonnay, White Zinfandel and Cabernet Sauvignon.

Paul Masson Vintners Select gets the bulk of the merchandising support, which includes point-of-sale materials, sweepstakes and a refund offer. The company is "making a concerted effort to orchestrate a full range of exciting promotions targeted to help move Paul Masson Vintners Selection varietal wines center stage for consumers."

Through its Music in the Vineyards summer concert series, says Potrock, "We're trying to position the wines with the arts. Within the category, there's nobody else with this niche." A consumer sweepstakes highlights the concert promotional effort. Five grand-prize winners receive a trip for two to the winery in Saratoga, Calif., and have dinner with performers like Mel Torme, Roberta Flack and Kenny Loggins. The performers' audiences match Masson's target group of college educated 25-45-year-olds in the upscale market.

The media mix for advertising has not yet been settled, but Potrock says the company is leaning toward print. Out of the $4-$5 million budget, which includes promotions, more than 50% will go to the Vintners Select wines.

Taylor California Cellars

Taylor California Cellars, another division of Vintners with about 5 million table wine case sales in 1987, according to Walters, was also a volume leader in the jug category. But as a relative newcomer, it was not as entrenched as centenarian Paul Masson.

After the brand was sold by Coca-Cola to Seagram in the early '80s, it lost some of its luster. But Vintners, which took it off of Seagram's hands about two years ago, recognizes the brand's position as an everyday table wine and is developing an image for Taylor California Cellars as having, "The taste that's right at home."

Although Masson receives most of Vintners' attention, Taylor California Cellars has been expanded to also tap into the 25-45-year-old, $35,000-plus annual income household with a line of varietals. "The brand is undergoing some changes, and we're trying to create an identity with spot and national tv and radio emphasizing the California laidback style," explains Potrock. Popster Michael Bolton sings the "Right at Home" score for the tv flights, while the radio ads for its new Chablis with a Twist jingles to Chubby Checker's "Twist."

"We try to develop a personality for the brand to make the brand appealing with the right packaging, ad campaigns and location in the store where consumers bang into it with their shopping carts," explains Potrock.

The line has been repackaged and three new products, Chablis with a Twist, three-liter White Zinfandel and a four-liter Wine on Tap, have expanded the line in the mid-priced category.

The media mix for the rest of the year is currently under consideration. "We're investment spending to build the brands," says Potrock. "It takes more money to do it right, and our competitors are very well'entrenched. We spend millions on ads to create an awareness and good image for the brands."

Sebastiani

Instead of trying to answer the big question of how to capture non-wine drinkers, Sebastiani is focusing its efforts on converting current wine drinkers from jugs to its varietal labels, which include August Sebastiani Country Wine and August Sebastiani Proprietor. "We're seeing continued erosion of the generic table-wine sales at the same time people are increasingly being drawn to the varietals," says Robert Carroll, vice president of marketing for Sebastiani Vineyards. "We're trying to exploit the trend."

Sebastiani's 1.5 liter bottles have made them a varietal hit.

Sebastiani has carved a fairly unique niche over the past six to seven years by packaging varietals in 1.5 liter bottles and aggressive pricing in the $5.99 to $7.99 range, which opened a new category in that size. And the competition here is getting hot, says Carroll. So, in an effort to stand out on the shelf, Sebastiani is offering its 1.5 liter size in custom tapered bottles.

The winery does very little advertising, according to Carroll, who adds it has chosen to devote its resources to merchandising as margins get tighter. However, an in-house campaign does run in the *Wine Spectator*.

Labeling is a critical aspect of Sebastiani's game plan to lure the 25-45-year-old wine drinker, particularly since the thinking at the winery is it's the package that gets the consumer to pick up the bottle. "We're looking at a consumer who knows something about wine but is facing a wide range of products and doesn't really know what to buy. The package is what gets the person to pick up the bottle."

Sebastiani had about 4 million table-wine case sales last year, but was number one in varietal sales with 9% of the market, according to Walters.

Cribari

Cribari, owned by Guild Wineries, is taking an aggressive pricing stance in the 1.5 liter varietal category in its effort to capture those current and future wine drinkers, 25-45 with a $35K+ household income. "The difference between our wines and the competition is that ours are about $1.50 to $2 less," says Mike Friedman, marketing manager.

Since the company is a vertical operation, more than 300 grape growers make up the ownership of Guild, so it's less vulnerable to raw material price changes. Still, when White Zinfandel took off, the company was squeezed because not many of its growers produce Zinfandel grapes.

There was also a problem of taking the Cribari brand into the varietal and premium market because of the perception that generic producers are unable to provide the attention needed to produce quality wine. But Cribari is

While class is the name of the varietal game, Cribari hopes convenience will support its jug entries.

depending on its upgraded packaging and point-of-sale materials to change the perception of current wine drinkers as well as lure its share of non-wine drinkers.

Recognizing that promotions provide the extra octane in a price driven market, the bulk of Cribari's marketing efforts this year are going into point of sale. Part of the strategy is publication of a free recipe booklet coupling wine and easy-to-prepare dishes that's featured on the case card.

Cribari's strategy in the varietal market has proved successful. Four years ago, the company was selling about 70,000 cases a year, while this year Friedman projects sales of about 600,000 cases. Walters pegs 1987 total table wine sales of Cribari at about 3 million cases.

In the jug business, Cribari has introduced an easy-pour winepack to maintain its volume here. The package is a 1.5 liter milkcarton-like container with a resealable screw spout.

Cribari has no plans for print or broadcast this year because it wants to hold the line on its pricing in a segment of the market that is extremely price sensitive. Its Cribari Varietals are priced at or below Sebastiani's line by 50¢ to $1.00 on several items.

Network television support, which ran through November and December last year, included flights on sporting events such as NCAA and NFL football and NCAA basketball, as well as *CBS This Morning* and NBC's *Today* Show.

Sutter Home

Recognizing that some of the snobbery associated with the wine industry is keeping many potential consumers away, Sutter Home is taking the stance that it's in the beverage business as well as the wine business. It's attempting to tap into non-wine drinkers by projecting a premium, but not pretentious image. "Our Cabernet does not need seven years of cellaring," says Alex Morgan, director of marketing for Sutter Home. "It's done in a soft, easy style. This is a big part of our departure from the other brands, and we've been able to expand our market beyond current wine drinkers."

Morgan points out that it's important to maintain some mystique and tradition in wine, and the Sutter Home collection includes 750 ml. bottles of Cabernet Sauvignon, red and white Zinfandels, Sauvignon Blanc and Muscat Alexandria. Here, its primary competition comes from Beringer, Glen Ellen, Napa Ridge and Fetzer, right in the middle of the fighting varietal category at $3-$7 a bottle.

Radio is the only advertising media used, which hits 24 major markets around the country, except New York, which Morgan says is flooded with imports and more interested in higher-end brands. The target audience is the 25-to-49-year-old segment that is "mobile, active and upscale." The type of stations used to carry the broadcasts are album-oriented rock, some jazz and country. Chiat/Day is the agency.

As the varietal market continues to be a price slugfest, Sutter Home has held the line and has not raised prices in seven years, according to Morgan. He explains that this is part of the winery's long-term strategy. Sutter Home has recently acquired more than 400,000 acres of vineyard land, which it expects to supply 50% of its annual grape needs, turning the operation more vertical and less susceptible to rising grape prices. "We hope to hold our prices for another one or two years until our vineyards come on production," says Morgan.

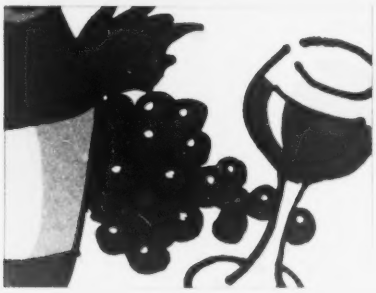
Its total table wine sales in 1987 were about three million cases, but it was ranked number two in the varietal segment, with about 8% of the market, according to Walters.

Giumarra

In general, the winery is doing better than last year despite some profit squeezing. And what has helped the winery in particular is the introduction of a three-liter bag-in-box. Most other packages of this type run between four and six liters. "We broke with the three-litre size so as not to repeat what the others in the market are doing," explains Karl Thielscher, director of marketing and sales for Giumarra Winery.

In addition to its introduction of bag-in-box, Giumarra has concentrated much of its efforts in the on-premise segment of the business. He explains that going this route is less man-power intensive, as well as less advertising intensive. "Since margins are short and getting shorter, we felt we could reduce advertising and man-power commitments by concentrating on on-premise business. We were doing a fairly significant amount of advertising until about three years ago, when the market got tight and the mergers and acquisitions took place."

For the on-premise segment, the company has helped pioneer disposable kegs of wine in 30- to 60-liter sizes, which are really giant bag-in-boxes for the on-premise market. By being disposable, they help create a more efficient distribution system since the kegs don't have to be returned for refills. The keg concept is also a labor-saving one since bartenders don't have to open and close bottles. ■

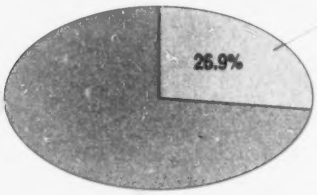


BRAND REPORT INDEX

DOMESTIC WINES

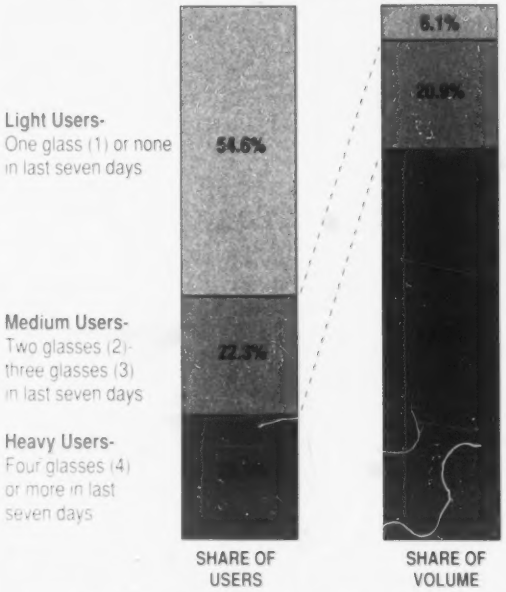
How to read: Our indices of user demographics and media preferences are used to indicate the direction and amount of difference from the average. The index of the average is, by definition, 100. Thus, an index of 112 reflects a 12% above-average incidence. An index of 89 indicates an 11% below-average incidence.

DOMESTIC DINNER AND TABLE WINE

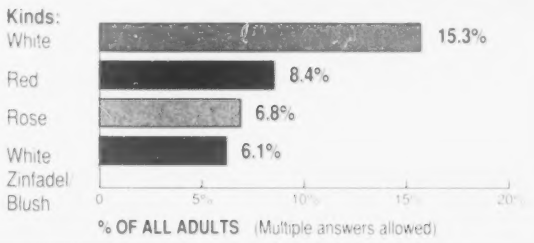


KEY DEMOGRAPHICS: DOMESTIC WINES HEAVY USERS

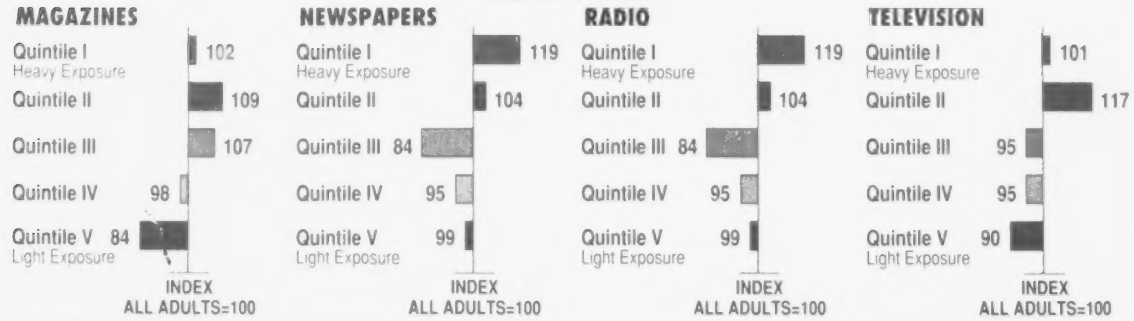
DOMESTIC WINE VOLUMETRICS: SHARE OF USERS vs. SHARE OF VOLUME


Light Users- One glass (1) or none in last seven days
Medium Users- Two glasses (2)- three glasses (3) in last seven days
Heavy Users- Four glasses (4) or more in last seven days
54.6%
22.5%
6.1%
20.9%
SHARE OF USERS
SHARE OF VOLUME

KINDS OF DOMESTIC WINES CONSUMED



MEDIA EXPOSURE: DOMESTIC WINE HEAVY USERS



Source: Mediamark Research Spring 1988

MEDIA'S PACKAGED GOODS

THE EXTRA EDGE

Planning media strategies is an ongoing endeavor and one in which an edge is most important. It's the buying advantage that can make the unaffordable affordable; the questionable positive; the average plan a superior one.

In many circumstances a multimedia plan might be preferred because different media achieve their greatest concentration among varying segments of any given market, making single media use less effective when reach is a primary concern. The Simmons Imperative concept was most explicit in defining the heavy viewer light reader and heavy reader light viewer segments while demonstrating how each represents a substantial percentage of the total population. But while a multimedia plan may be the preferred choice for its broader reach capabilities, it frequently is not an affordable option. A multimedia package opportunity could make the difference.

Of course the basic criteria of target delivery and efficiency must still receive upfront screening. And the appropriateness of the media involved should track with the overall objectives of the marketing plan, together with the strategy driving the creative execution. But once these conditions have been clarified and deemed satisfactory, further investigation of the package opportunities very often reveal the buying "edge" needed.

We can theorize that the value-added buying philosophy, most prevalent today in the print arena, can trace its parentage to the need for more efficient buying and the belief that rate negotiation is the primary means to this end. While in many instances negotiation has taken the form of special discounts and incentives, additional merchandising opportunities and premium-position offers, among others, those communications companies in a position to do so have taken a further step into the value-added marketplace with the multimedia package concept.

This seller's package is perceived by many to provide greater potential value to the seller than the buyer, an observation that may be true. There is a competitive advantage in being able to offer a multimedia buy: potentially lower costs, a single sales contract, minimized traffic and billing procedures.

It is incumbent upon the buyer, however, after thorough review and evaluation, to determine where the better advantage lies and proceed accordingly. Aside from the more obvious details of cost and the matching of media to targets, the key element of advantage the buyer/planner needs is flexibility.

In this context, flexibility and customizing are synonymous. While the cost may be "fixed" at varying levels of participation, the ability of the planner/buyer to customize packages as dictated by the objectives of individual plans is a decided advantage that, if used properly, can result in value-added being more than just an overworked phrase.

Although customizing is certainly not unique to the multimedia package, being able to adjust media units within a three- or four-media plan and conduct further negotiations on pricing, position and merchandising with a single sales contact is unique and represents the buyer/planner's primary edge.

In the end, multimedia packaging offers a number of opportunities.

- It can provide cost efficiencies beyond those in single-medium purchases.
- It presents the opportunity to use additional media segments that might otherwise have been viewed as either not applicable or not affordable.
- It forces the exploration of media types not considered in the past and may result in new perspectives gained for current and future application.
- It makes available certain inter-media scheduling and tie-in opportunities that would be difficult if not impossible to attain through individual media negotiations while maintaining efficiency goals.
- In most cases it will add reach to a plan without sacrificing either frequency or efficiency in the process.

This is what multimedia packaging is all about and what makes it a viable tool for providing the edge we need to give clients outstanding media performance in schedules for their products and services.

Don Clow is vice president and media director for print with Cramer-Krasselt Advertising & Public Relations, Milwaukee, Wisc.

OUR READERS TELL US...

A majority of the agency readers polled by Research USA, Chicago, see the value in multimedia package buys, but a minority have actually taken advantage of them. (Base = 92, unless otherwise indicated)

1. Media companies have been putting together an increasing number of multimedia package buys, such as magazine pages matched with spot tv or cable. Do you see multimedia package buys as an effective way to place advertising?

Yes	71.7%
No	23.9%

TO LESS EFFECT

Conceptually, multimedia packages are great. The reality depends on how they are executed. Rule number one: Never buy into a package program which you would not purchase as a stand-alone. Unfortunately, there is a tendency to package media that are not moving on their own to increase demand.

Cost-per-thousand efficiency has become the industry standard with which to measure media effectiveness. Indeed, for mass marketers, efficiency and effectiveness might be considered synonymous. As a planner/buyer for primarily business-to-business accounts, however, most of our clients have limited advertising budgets and have elected to take more of an impact approach to build high levels of awareness among smaller, more targeted groups. Efficiency is considered, of course, but is not the most important factor in assessing the worth of the plan. The most viable vehicles are those that deliver the target audience with the highest degree of credibility.

Sadly, there has been a weak link in most of the multimedia packages that have crossed my desk. Typically, they combine magazine advertising with a radio and/or tv (usually cable) schedule. Cross-promotion programs between print vehicles — for instance, a consumer and a trade magazine — probably work better, as a rule, than cross-marketing of publishing and broadcast properties. Print and broadcast have very different media values, and it's hard to be an expert in both.

A bonus of tv ad time for a minimum commitment of print space may not, upon further study, be such a good deal. Usually the package is executed by buying blocks of tv and radio time and reselling them to advertisers that buy magazine space. Since the publisher is not an experienced broadcast buyer, there is virtually no guarantee the tv/radio spot schedules purchased are cost effective. The advertiser should therefore make every attempt to learn the cost for similar announcements independent of the package program. Too often, the unsophisticated buyer ends up with schedules based on what's available rather than what is necessary to be effective.

The bottom line is that the clients' needs come first. A question the media planner should ask at the outset is: What part of the market cannot be reached with a single medium? Generally, vehicles within one media class can reach a substantial part of a market, as high as 90%. The percent of the market not covered may be worth the extra cost of a package program — however small — to reach it.

When media buying becomes a commodity, the advertiser loses. While it may represent time savings for the agency, the cost per effective contact goes up, meaning overall efficiency is reduced.

Laura Kush is the media director for Reeds Farris & Lewis Advertising & Public Relations, Los Angeles.

No answer	4.4%

2. Have you ever placed ads through a multimedia package?

Yes	29.3%
No	70.7%

If "Yes": (Base = 27)

a. Where do most of your multimedia deals usually originate? (Check all that apply.)

Client	18.5%
Agency	40.7%
Media	48.1%

b. Which of the following media do you most often use in your multimedia package deals? (Check all that apply.)

Broadcast tv	74.1%
Cable tv	48.1%
Magazines	74.1%
Direct response	22.2%
Radio	55.6%
Newspapers	37.0%
Outdoor	25.9%
Spot tv	3.7%

c. What do you see as the advantages of using multimedia packages for placing ads? (Check all that apply.)

Cost efficiency	25.9%
Added reach	74.1%
Greater overall impact	74.1%

d. How do you usually post-buy a multimedia package?

Each piece separately	85.2%
As a whole	7.4%
No answer	7.4%

3. Since many of these buys are done directly with the clients, do you feel multimedia packages undermine the agency's role in planning media buys?

Yes	54.3%
No	40.2%
No answer	5.5%

4. Do you feel that there should be changes within your firm's media department to facilitate multimedia buys?

Yes	33.1%
No	56.5%
No answer	9.8%

ECONOMIC EYE

RATINGS WINNERS

The biggest awards show so far this year was the 61st Annual Academy Awards. According to Nielsen, over 42 million Americans watched the Oscar telecast. The second-ranked American Music Awards averaged over 32 million viewers while 27 million people tuned in to the People's Choice Awards.

MAGAZINE AD SCORECARD

	Ad Pages March 1989	% change from March 1988	Dollars spent (000)	% change from March 1988
1. Skin care, Creams, Lotions and Oils	329.65	10.4%	9,401.9	20.9%
2. Lip and Eye Beauty Products	172.87	42.7%	6,646.8	55.6%
3. Scents and Fragrances	181.89	−2.9%	5,040.7	15.4%
4. Facial Makeup Products	90.68	−31.0%	3,085.7	−38.5%
5. Prepared Dinners and Entrees (including pizzas)	36.82	−26.6%	2,248.2	−27.9%
6. Liquor	329.65	40.6%	13,948.2	51.6%
7. Cigarettes	658.03	14.8%	37,484.9	28.3%
8. Soaps and Detergents	64.84	35.7%	4,125.4	40.6%
9. Passenger Cars, Domestic	666.08	35.2%	33,893.8	46.9%
10. Passenger Cars, Imported	499.23	−15.4%	25,021.0	−11.7%

Source: Publishers Information Bureau as prepared by Leading National Advertisers.

MEDIA COST INDEX

1985 = 100 ← 1988 → ← 1989 →

	June	% change	July	% change	Aug.	% change	Sept.	% change	Oct.	% change	Nov.	% change	Dec.	% change	Jan.	% change
Network TV																
Daytime	73	−22	81	−17	73	−14	146	+60	82	−16	80	−14	73	−10	77	−17
Nighttime	122	+8	110	+0.3	118	+4	118	+11	114	−9	113	−2	109	−2	122	+8
Spot TV																
Prime time	125	−4	–	–	125	−.8	141	+14	128	+6	104	+3	129	+5	–	–
Daytime	93	−10	–	–	100	−14	107	+4	106	−5	102	−10	99	−6	–	–
Network radio	116	+2	102	−0.5	111	+6	112	+5	131	+8	125	+10	119	+12	158	+8
Spot radio	101	+3	–	–	–	–	105	+2	–	–	–	–	110	−3	–	–
Consumer magazines	115	+5	115	+5	114	+5	116	+6	115	+5	118	+6	119	+6	122	+6
Natl. Sunday mags	116	+13	116	+13	128	+14	130	+10	130	+10	130	+10	130	+10	129	+10
Business publications	117	+5	117	+5	117	+5	118	+6	118	+5	120	+6	120	+7	119	+2
Newspapers	124	+7	124	+7	124	+7	123	+7	124	+7	124	+7	124	+7	131	+5
Outdoor	123	+8	123	+8	123	+8	123	+8	113	−4	113	−4	113	−4	113	−4

Notes: Percentage shown is relative change from the same month/period the year before.

*Revised

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.